Donald Smith & Co., Inc.
Domestic Equity: Russell 3000 Benchmark

For the month of: September 2008

Manager Performance Calculations

** Annualized returns*

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Donald Smith & Co.	-8.10%	-4.97%	-26.14%	-0.44%	n/a
Russell 3000	-9.40%	-8.73%	-21.52%	0.26%	n/a

Portfolio Attributes

Characteristics	**DSCO**	**RU 3000**
Mkt Value ($m)	181.22	N/A
Wtd Cap ($b)	2.35	71.71
P/E	5.30	12.50
Beta	1.08	0.91
Yield (%)	2.50	2.26
Earnings Growth		

Sector Analysis

Over-weight	**DSCO**	**RU 3000**
Financial Serv	18.30%	17.71%
Autos/Transpc	13.30%	2.69%
Utilities	13.00%	6.45%

Under-weight	**DSCO**	**RU 3000**
Healthcare	0.00%	13.34%
Technology	10.20%	13.98%
Consumer Sta	0.00%	8.28%

Performance Attribution & Strategy Comments

The account outperformed the Russell 3000 in the latest month. The cash position helped absorb some of the large declines experienced by the market and a few of our stocks. Unum Group was a positive performer, and relative outperformers included companies that would benefit from lower energy prices, such as Pinnacle West, Alaska Air and Air France. The three semiconductor companies -- Qimonda, Semiconductor Manufacturing and Spansion -- continued to be a performance drag, as prices for memory chips declined further during the quarter.

The position in Unum Group was eliminated after achieving 63.9% appreciation. Pinnacle West was reduced slightly, and positions were increased in American National and Qimonda.

At quarter-end, the portfolio sold at only 60% of tangible book value, which compares very favorably with the S&P 500 at 376% of book. We have remained relatively cautious, and we believe that the decline in housing prices, one of the root causes of today's crisis, is not complete.

Manager Style Summary

Donald Smith & Co manages an all-cap portfolio, employing a bottom-up, deep value investment strategy. They invest in stocks with low P/B ratios and which are undervalued given their long-term earnings potential. Consequently, the portfolio will consist of securities wtih higher dividend yield and lower P/B and P/E ratios relative to the market. This is a concentrated portfolio, consisting of approximately 15-35 issues, and as a result, may experience more volatility than the market.

Donald Smith & Co., Inc.
Domestic Equity: Russell 3000 Benchmark

Portfolio Guideline Compliance — September 2008

Portfolio Guideline:	DSCO	RU 3000	Calc	Min	Max	Compliance
B2. Security Market Cap (in $m) > $100 m @ purchase						ok
B3. Security Positions <= 15% @ purchase						ok
B4. Number of issues	18			15	35	ok
B5. Portfolio Characteristics						
P/B	0.60	2.21	27%	30%	100%	check
P/E (1 Year Forward)	5.30	12.50	42%	50%	100%	check
Dividend Yield	2.50	2.26	111%	50%	150%	ok
Beta	1.08	0.91	119%	70%	130%	ok
F2. Commissions not to exceed $0.05/share; explanation required for commissions >$0.07/share						ok
F3. Annual Turnover	14%			20%	40%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines					☑ Yes	☑ No

Manager Explanations for Deviations from Portfolio Guidelines

B5. P/E (1 Yr Forward): Our stocks usually sell at low P/Es based on normalized earnings.

F3. Annual Turnover: As we are long-term investors, our turnovers are always on the lower end.

B5. P/B: Our primary approach is to buy low P/B stocks selling at discounts to tangible book value.

Organizational/Personnel Changes

None

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value ($m):	$ -
Lost:	Number of Accounts:	1	Total Market Value ($m):	$ 148.0

Reason(s): We lost one client after they hired a new consultant who swifted the mandate back to growth style from value.